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BUILDER

VIEWS

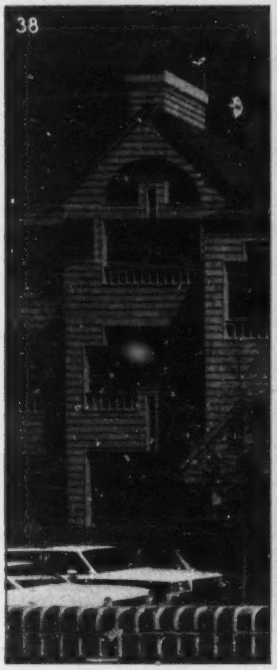
5 About Building
7 Comment
12 Outlook
16 Money
20 In Charge
23 Washington
25 Ventures

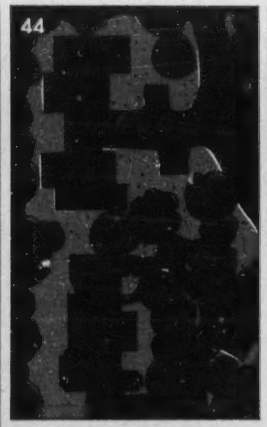
DEPARTMENTS

6 Mail
64 Sketchbook
66 Shoptalk
69 NAHB Action
76 New Products
87 Ad Index
88 Specs

NEWS

27 Economists forecast gradual recovery in 1983
28 West and North Central will make biggest gains
28 All-Savers Certificate goes out with a whimper
28 Irvine sales efforts bring back the good old days
29 Clever designs capture St. Louis market
32 Homeowners prefer old-fashioned houses
32 Deck business has the Midas touch
34 Homeownership costs shrink
34 New home prices rise more slowly





38 URBAN IN-FILL
When city residents began leaving in-town neighborhoods 25 years ago, most builders left with them. Now, buyers and builders are coming back and breathing life into blighted areas in cities of all sizes.
(Cover: Barringer Square, Charlotte, N.C. Photo: Gordon Schenck for Shakertown Corporation)

44 CLUSTERING
Look-alike houses. Same size lots. Straight streets. That describes the all too typical subdivision. Four projects in New England show how to break that predictable pattern by clustering units and saving pockets of open space.

52 NON-RES: MIXED USE
Two uses can be better than one when it comes to putting together a commercial project. The final part of a four-part series describing nonresidential opportunities.

58 GROUND BREAKERS
Can a house have almost everything home buyers say they want in a new home and still be affordable? It can if it's the 1982 Dream House, a very real home designed by Florida architect Joe Greenberg for the American Plywood Association and *Family Circle* magazine.

GET OUT OF NON-RES

Michael Sumichrast
NAHB Chief Economist

More and more home builders have diversified in the past few years. Why? To ride out the recession, which has caused the total value of new construction put in place to remain virtually unchanged at about $230 billion for the last four years.

Five years ago housing accounted for 47 percent of the total; this year it will account for only 33 percent, a 30 percent drop. Nonresidential construction has made up the difference, and this year will account for 27 percent of total new construction.

The strength and growth of the nonresidential sector runs through almost every category of commercial construction. Industrial building activity now accounts for 7.5 percent of total construction activity, up from 4.4 percent in 1977. During the same time, office buildings' share increased from 3 percent to 8.3 percent and other buildings' share jumped from 5.5 percent to 7.5 percent. Hospitals, schools and churches accounted for the other nonresidential activity and about 3.5 percent of total commercial activity.

While new housing construction fell, and nonresidential construction increased, remodeling's share of total construction activity stayed about the same —8.5 percent—from 1977 to 1982.

In other words, the nonresidential sector has been the bulwark of the building industry since 1977. But that is going to change.

Next year housing will rebound, with the value of residential construction increasing by 19 percent from $76 billion to $95 billion. New housing will account for $71 billion of that, up from $53 billion this year. That's an increase of 34 percent.

Much of the gain will be in single-family housing, which will be up to $52 billion in 1983, a 44 percent increase from a low of $36 billion in 1982. The value of two-or-more-unit structures should increase nearly 12 percent to $19 billion, and the share for additions should be up 5 percent to $20 billion.

NAHB forecasts 1.35 million housing starts next year, a 25 percent increase from this year. Single-family starts should reach 776,000 units next year, and multifamily starts should hit 588,000.

At this point builders should take heat in the increases in residential activity, because diversification is looking like a worse bet than it was during the late 1970s. In 1978 the value of nonresidential construction increased by 26.5 percent; in 1979, 30 percent; in 1980, 17.1 percent. However, in 1981 the increase was only 9.7 percent, and this year it was only 3.6 percent.

The news for next year is bad. Nonresidential activity is expected to decline about 5 percent to $60 billion, from the record $63 billion spent this year. For the first time ever this year the value of nonresidential construction exceeded the value of new housing units—$63 billion versus $53 billion.

Overbuilding is to blame for the expected drop in office construction. Last year, according to F.W. Dodge, 317 million square feet of office space were completed while demand dropped, according to various sources, to only 170 million square feet. Demand has dropped because foreign investors, particularly Canadians, are leaving the market, oil money is leaving and the white collar work force has stopped growing.

The recession also has hurt industrial building. Capacity utilization is less than 70 percent, and few manufacturers need to expand. Peak volume for industrial space was 243 million square feet in 1979. This year only 115 million square feet of space will be added, a figure 33 percent lower than the previous low reached during the 1975-76 recession.

Construction of offices and warehouses has been on a plateau since 1979, as far as expenditures are concerned. In terms of space, it peaked in 1979 at 300 million square feet and by 1982 had declined almost 50 percent to 160 million square feet. This sector will improve in 1983, but only marginally.

Church and school construction has been a stagnant sector for several years. Hospital construction will amount to $5 billion next year, or about the same as this year. Total space built for churches, schools, hospitals and other public buildings has declined from 450 million square feet in the early 1970s to about 300 million square feet in 1980. During the past two years it has declined even more, to 250 million square feet, and it's expected to stay the same next year.

All in all, housing will be the only component in the construction industry that will show a reasonably good increase in 1983. But remember, that big percentage increases comes from a small base. Housing still has a long way to go before approaching a boom period.

ANNUAL VALUE OF NEW CONSTRUCTION PUT IN PLACE IN THE UNITED STATES
(in billions of current dollars)

	1982	1983	Change 1982-83
Total new construction	**$228.0**	**$244.0**	**7.0%**
Private construction	178.0	193.0	8.4
Residential buildings	76.0	95.0	25.0
New housing units	53.0	71.0	34.0
One unit	36.0	52.0	44.4
Two or more units	17.0	19.0	11.8
Non-housekeeping	4.0	4.0	-0-
Additions and alterations	19.0	20.0	5.3
Nonresidential buildings	63.0	60.0	- 4.8
Industrial	17.0	16.0	- 5.9
Office	19.0	16.0	-15.8
Other commercial	17.0	18.0	5.9
Religious	2.0	2.0	-0-
Educational	1.0	1.1	10.0
Hospital and institutional	5.0	5.0	-0-
Miscellaneous	2.0	2.0	-0-
Farm nonresidential	5.0	5.0	-0-
Public utilities	33.0	32.0	- 3.0
All other private	1.0	1.0	-0-
Public construction	50.0	51.0	

Source: NAHB Forecasting Service

NEWS

ECONOMY

ECONOMISTS FORECAST GRADUAL RECOVERY IN 1983

Housing starts will improve gradually in 1983 and mortgage rates will moderate, but the continuing weakness of the economy and structural changes in the thrift industry will prevent a major housing boom.

That is the latest forecast outlined at NAHB's semiannual residential construction forecast conference held in late October.

NAHB predicted that housing starts will climb to 1.36 million units next year, up 30 percent from 1982's estimated 1.05 million starts.

"That's a large percentage increase, but not much in actual units because of the low base in 1982," pointed out Bob Sheehan, NAHB's associate chief economist.

NAHB predicts that the increase in starts will be gradual but steady, building from an annual rate of 1.29 million in the first quarter to 1.44 million in the fourth quarter.

Much of the improvement will come in the multifamily sector, particularly for-sale condominiums which are expected to jump 50 percent to a record 256,000 starts in 1983 after rising 16 percent in 1982.

Despite the phase-out of federally subsidized housing programs, Sheehan predicted rental starts also will increase substantially due to the efforts of state housing finance agencies, the developing shortage of rental units and favorable depreciation provisions of the 1981 tax act.

In addition, rent increases outpaced inflation in 1982 for the first time in several years. As a result, rental construction should be more attractive and financially feasible.

Multifamily starts overall, both condos and rental apartments, will jump 41 percent from 420,000 in 1982 to 590,000 next year, according to NAHB's forecast. Multifamily's share of all starts will increase to 44 percent from 41 percent this year.

Single-family starts will rise 22 percent from an estimated 640,000 units this year to 780,000 in 1983.

NAHB's HOUSING STARTS FORECAST FOR 1983
(annual rate, millions of units)

	1983	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Total	1.36	1.29	1.33	1.38	1.44
Single-family	0.78	0.74	0.75	0.78	0.82
Multifamily	0.59	0.55	0.58	0.60	0.62

Source: NAHB Forecasting Service and U.S. Census Bureau

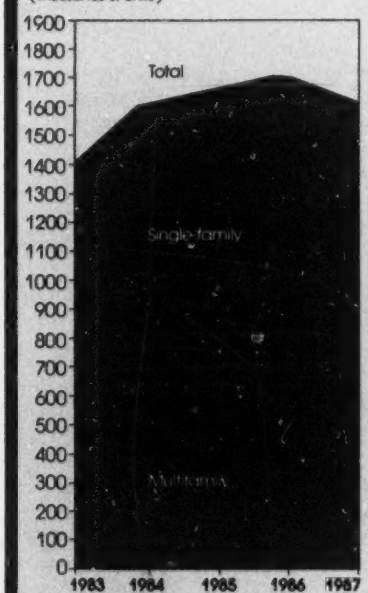
"The early part of the recovery will center around multifamily," Sheehan said. "Single-family will follow."

Leonard Santow, senior vice president of J. Henry Schroder Bank & Trust, agreed that "the groundwork has been laid for a sustained recovery." Santow predicted 1.4 to 1.5 million starts next year—if interest rates continue to decline as expected. But he warned that the starts picture probably won't improve much until next summer.

Most of the housing demand next year will be at the low and high ends of the market, Santow predicted.

"The investment motive for buying a home is no longer strong, so people sitting in that second home won't reach for a third home. Consequently, upper-middle priced tract housing won't improve much," he said.

NAHB's 5-YEAR FORECAST OF HOUSING STARTS
(thousands of units)



Source: NAHB Forecasting Service and United States Census Bureau

Most economists attending the forecast conference agreed that interest rates will gradually decline until early next year and stay fairly stable for the rest of 1983.

NAHB's Sheehan predicted that conventional mortgage rates would fall to a low of 12 or 12.5 percent early next year with the prime rate dropping to 9 percent.

Santow agreed that fixed-rate mortgages won't drop below 12 percent, because recent deregulation legislation allows thrifts to diversify their investments.

In addition, thrifts' new ability to offer accounts similar to money market funds may raise their cost of funds and, consequently, keep mortgage rates relatively high.

Few participants expect interest rates to take off again next year because both the Federal Reserve Board and the Reagan Administration appear to be backing away from doctrinaire economic policies and becoming more pragmatic.

Forecasters believe the Fed should have little reason to tighten credit conditions next year because inflation is expected to continue to dissipate. Although the federal deficit will loom large, private sector borrowing will be weak and that should prevent another round of inflation and high interest rates— at least for a year.

But the burgeoning deficit all but dooms prospects for two million annual housing starts, according to Robert Weintraub, chief economist of Congress's Joint Economic Committee.

"The increase in defense spending is taking those resources," he explained.

George Christie, chief economist of McGraw-Hill Information Systems,

joined NAHB in predicting modest improvement for housing next year. At the Dodge/Sweet's Construction Outlook conference, also held in late October, Christie predicted 1.35 million starts in 1983 and conventional mortgage rates as low as 12 percent by midyear.

Nonresidential construction won't begin to recover until late 1983, he said, and it will take two years to work off the excess in office building before that sector can come back.—C.A.

ECONOMY

WEST AND NORTH CENTRAL WILL MAKE BIGGEST GAINS

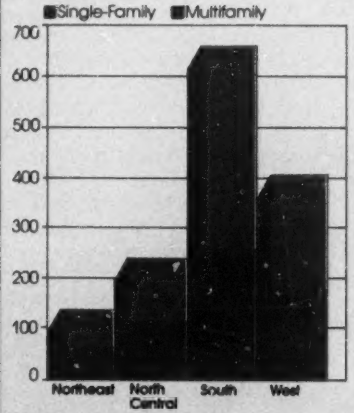
Housing starts will increase most in the Western and North Central regions next year—the regions hit hardest by the housing recession—predicted NAHB at its residential construction forecast conference in October.

In the West, starts are expected to jump 70 percent from 220,800 units in 1982 to 376,100 next year. In the North Central, starts should surge nearly 45 percent from 157,800 to 228,300.

The smallest percentage increase will occur in the Northeast where starts are predicted to improve a modest 8.6 percent from 111,700 units this year to 121,300 in 1983.

The South, which was most resistant to the recession, is expected to experience a 14 percent increase in starts from 562,200 to 639,100 in 1983.—C.A.

NAHB's 1983 HOUSING STARTS FORECAST BY REGION
(thousands of units)



Source: NAHB Forecasting Service and U.S. Census Bureau

MARKETING

IRVINE SALES EFFORTS BRING BACK THE GOOD OLD DAYS

A camp-out, lottery, quick sell outs—it was just like the good old days for the Irvine Company of southern California.

"We haven't seen camp-outs around here for at least a year," commented Dan Carlsson, spokesperson for the Irvine Company. But in late July 40 people lined up for several days for the opening of Vista Filare, a single-family detached project in Irvine.

They were there to pay $2,000 for an option to buy one of the 18 units planned for phase 1. All 18 sold within a week, Carlsson said.

Under the option program, which Carlsson said is relatively new to southern California, the buyer locks in the purchase price and has six to 12 months until the home is delivered to gather the down payment, sell an existing home and shop for financing.

In addition, option buyers have 45 days to pull out and get a full refund.

"After 45 days, the builder can start construction with strong assurance that the person will buy the home," Carlsson said. "It's a way to prevent contracts from falling through."

He attributed the project's initial success to the $120,000 to $150,000 sales prices—considered affordable for detached houses in Irvine—and graduated payment financing starting at 11⅝ percent and rising 1 percent a year to a maximum of 14⅝ percent.

The six floor plans with one to three bedrooms range from 1,058 to 1,589 square feet. A total of 268 houses, built by the Irvine Company's subsidary Irvine Pacific, are planned for the 38-acre site.

In addition to the camp-out at Vista Filare, the company found itself back in the lottery business for the October opening of Woodbridge Alders, also in Irvine. Nearly 470 people signed up for the lottery and a chance to buy one of 32 condominiums offered in the first phase.

Once again the draw was the

winning combination of affordable prices and favorable financing. The two and three-bedroom units with 1,060 to 1,267 square feet sold for $87,000 to $104,750.

Mortgage revenue bonds issued by Orange County provided 30-year fixed-rate financing at 13.25 percent (APR). To qualify, buyers could not earn more than 120 percent of the median county income, or about $34,000 a year.

The project attracted mostly first-time buyers, including many singles and young married couples without children.

To avoid the "barracks look" sometimes associated with moderate-income housing, the four to eight-unit, two-level buildings feature recessed windows, overhangs, varied roof lines and stucco exteriors.—C.A.

FINANCE

ALL-SAVERS CERTIFICATE GOES OUT WITH A WHIMPER

The All-Savers Certificate due to expire at the end of December was supposed to generate an additional 200,000 to 300,000 housing starts this year, but it was pretty much a bust.

Its effect on housing was negligible and depository institutions—the primary beneficiaries of the tax-exempt

nomical amenity. They can look through an "idea book" of more than 150 decks to select one for Archadeck to add to their home. Most settle on a simple rectangular design.

Grossberg promotes the deck not simply as an amenity, but also as usable extra living space. He thinks the deck is an escape area, and that it should please visually. One of the most pleasing qualities of a deck is its lightness, so Grossberg "floats" his pressure-treated pine decks on post and beam supports instead of through-posting, which ties the deck to the ground visually. He trims edges left ragged by many builders, and uses pneumatic nailers to reduce construction time and to recess the nails for a more finished look.

Since early 1980 Archadeck has installed decks on houses in eight Richmond-area subdivisions, including homes built by Ryland, one the area's largest builders. Grossberg's revenue was $80,000 in 1980, double that in 1981 and this year it will probably double again.

A Virginia builder experimenting with Grossberg's marketing and construction packages outside the Richmond market has also increased revenue and reduced his work time.

Grossberg hopes next to expand into the Washington, D.C.-Baltimore corridor, eventually decking out the whole Middle Atlantic region. - D.W.

Richmond, Va., builder Rick Grossberg has doubled his revenue the past two years by standardizing deck construction and design, and by tailoring his marketing to his builders' needs. Grossberg's company, Archadeck, builds standard and custom designs in pressure-treated pine.

PRICES

HOMEOWNERSHIP COSTS SHRINK

The cost of owning an existing house slipped a notch from the second to the third quarter of this year thanks to receding mortgage rates and the slow pace of home price appreciation.

Statistics compiled by the National Association of Realtors (NAR) on 15 of the nation's largest metropolitan areas show that the principal and interest payment on the average-priced existing single-family home declined 3 percent ($26) to $838 during the period.

Total housing costs, including taxes, utilities and insurance as well as principal and interest, declined by 1.8 percent ($20) to an average of $1,093.

"Ten of the 15 cities in our survey actually experienced declines in mortgage payments since mid-summer," said Jack Carlson, NAR's chief economist, "and all of them are projected to enjoy declines in monthly costs through the end of this year."

Monthly payments, however, varied widely from city to city. Average payments were highest in San Francisco ($1,500), lowest in Detroit ($543).

The NAR survey also showed that, in general, the average selling price of existing homes rose at a slower pace than inflation.

Nationally, prices increased only 3.4 percent from the fall of 1981 to the fall of 1982. Prices climbed most in Minneapolis, up 8.5 percent, and Washington, D.C., up 6 percent. But prices actually fell in two of the cities surveyed: Detroit, and Philadelphia.

The decline in monthly payments and appreciation rates means that existing homes are more affordable.

Adding to affordability is the extensive use of "blend" mortgages, which can reduce mortgage rates by 3 to 5 percentage points below market. Carlson said 70 percent of existing home sales involve blends.—C.A.

MONTHLY PRINCIPAL AND INTEREST PAYMENTS

	Spring 1982	Fall 1982	Change
United States	**$ 864**	**$ 838**	**-$26**
San Francisco	1,504	1,500	-4
Los Angeles	1,412	1,365	-47
New York	1,099	1,083	-16
Wash., D.C.	1,048	1,020	-28
Houston	1,004	946	-58
Boston	810	838	28
Milwaukee	762	794	32
Minneapolis	787	773	-14
Atlanta	824	772	-52
Chicago	791	746	-45
Baltimore	759	707	-52
St. Louis	697	705	8
Philadelphia	629	663	34
Pittsburgh	626	628	2
Detroit	554	543	-11

AVERAGE PRICE OF EXISTING HOMES SOLD

	Fall 1981	Fall 1982	Change
United States	**$ 79,700**	**$ 82,400**	**3.4%**
San Francisco	142,400	147,100	3.3
Los Angeles	132,900	137,100	3.2
Wash., D.C.	98,300	104,200	6.0
New York	95,900	100,900	5.2
Houston	91,200	94,700	3.8
Minneapolis	74,300	80,600	8.5
Chicago	76,200	77,300	1.4
Milwaukee	73,300	76,500	4.4
Boston	74,300	75,300	1.3
Atlanta	72,200	74,700	3.5
Baltimore	70,400	73,000	3.7
St. Louis	66,800	70,100	4.9
Philadelphia	65,400	65,100	-0.5
Pittsburgh	60,400	60,400	0
Detroit	55,800	54,600	-2.2

Source: National Association of Realtors

PRICES

NEW HOME PRICES RISE MORE SLOWLY

The cost of owning a new home has moderated, according to the U.S. Census Bureau. Increases in new home prices trailed the rise in the Consumer Price Index in both 1980 and 1981. From the second quarter of 1981 to the second quarter of 1982, new single-family home prices rose only 3.4 percent, the smallest such increase in 11 years. —C.A.